

Dennis C. Prouty
Director
515/281-5279
dennis.prouty@legis.state.ia.us

**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
Des Moines, Iowa
50319

MEMORANDUM



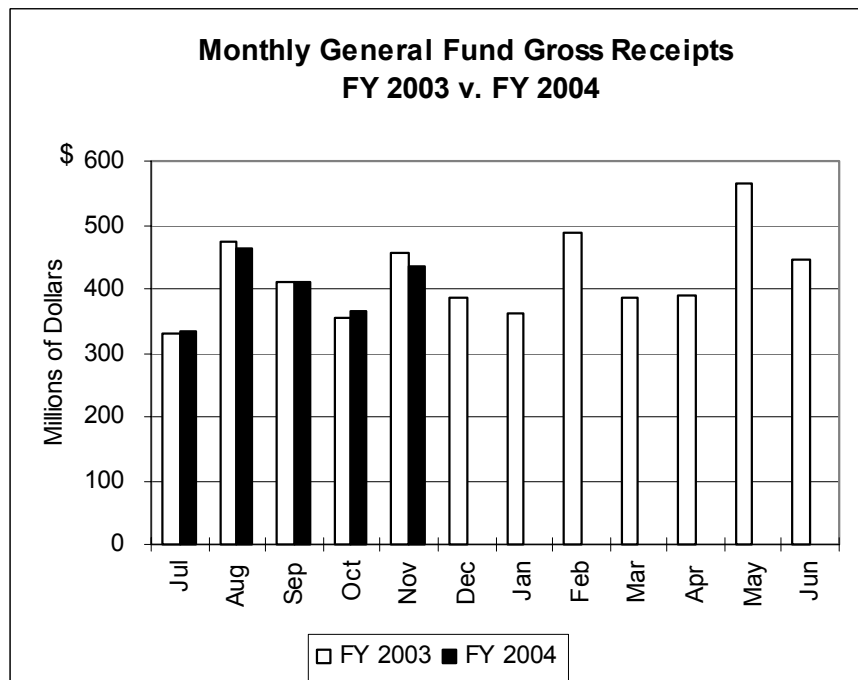
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: December 1, 2003

Monthly General Fund Receipts through November 30, 2003

The attached spreadsheet presents total FY 2004 monthly General Fund receipts, with comparable figures for actual FY 2003. The figures can be compared to the FY 2004 estimate (\$5.108 billion) set by the Revenue Estimating Conference (REC) on October 10, 2003. The estimate represents an increase of \$61.2 million (1.2%) compared to actual FY 2003 gross cash receipts (excluding transfers). The next Revenue Estimating Conference is scheduled for December 8, 2003.



FY 2004 Compared to FY 2003

Year-to-date FY 2004 total gross revenues (excluding transfers) decreased \$16.8 million (- 0.8%) compared to the same time period of FY 2003. Major revenue sources contributing to the change include:

- Personal income tax (positive \$35.8 million)
- Sales & use tax (negative \$15.1 million)
- Corporate tax payments (negative \$27.4 million)
- Other taxes (positive \$1.2 million)
- Other receipts (negative \$11.3 million)

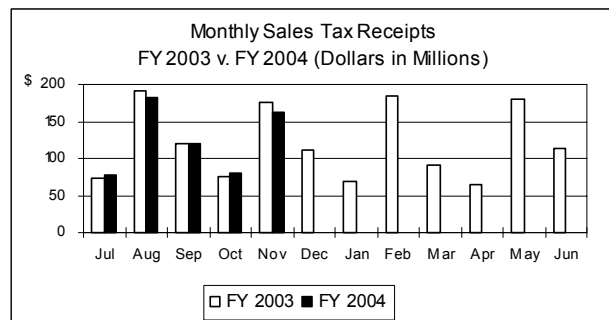
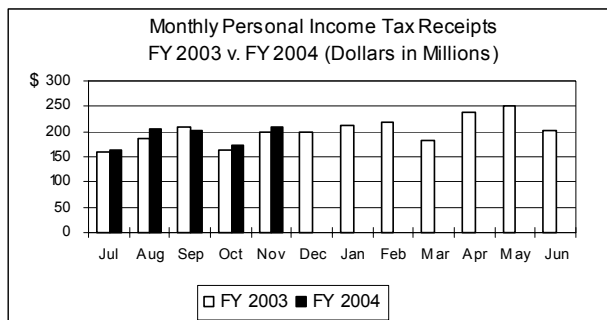
There were only three processing days during the final nine calendar days of November 2003, compared to four during the same period of 2002. This caused FY 2004 cash receipts for November and year-to-date to appear \$14.4 million less than is actually the case. After this adjustment, FY 2004 cash receipts are approximately \$2.6 million below FY 2003 year-to-date.

Also, much of the revenue growth in FY 2004 is due to changes to unclaimed property regulations. The new revenue from this source is not expected until late in FY 2004. Therefore, FY 2004 comparisons to the REC estimate will appear lower than is actually the case until the unclaimed property proceeds are deposited to the General Fund in late spring.

Personal income tax revenues received in November totaled \$209.2 million, an increase of \$9.5 million (4.8%) compared to November 2002.

The FY 2004 REC income tax estimate of \$2.489 billion represents a projected increase of 3.0% compared to actual FY 2003. The year-to-date change in personal income tax receipts is 3.9%. Withholding tax payments and payments with returns are up year-to-date, while estimate payments are down 4.0%.

The following Chart compares FY 2004 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2003.



Sales tax receipts received in November totaled \$163.1 million, a decrease of \$12.8 million (- 7.3%) compared to November 2002.

The REC estimate for FY 2004 sales tax receipts is \$1.450 billion, no change compared to actual FY 2003. The year-to-date growth in sales tax receipts is negative 1.7%.

The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

Use tax receipts received in November totaled \$22.3 million, a decrease of \$2.0 million (- 8.3%) compared to November 2002.

The REC estimate for FY 2004 use tax receipts is \$254.2 million, no change compared to the FY 2003 level. The year-to-date growth in use tax receipts is negative 3.9%.

Corporate tax receipts received in November totaled \$9.8 million, an \$8.7 million decrease (- 47.2%) compared to November 2002. The REC estimate for FY 2004 corporate tax receipts is \$222.1 million, which represents a decrease of 6.3% compared to actual FY 2003. The year-to-date growth in corporate use tax receipts is negative 28.9%.

Other tax receipts received in November totaled \$14.4 million, a \$2.5 million (21.0%) increase compared to actual FY 2003. Franchise and miscellaneous tax receipts were up for the month, while cigarette tax receipts were down.

The REC estimate for FY 2004 receipts from other taxes is \$349.2 million, which represents a decrease of 7.2% compared to actual FY 2003. The year-to-date growth in other taxes is 1.2%.

Other receipts (non-tax receipts) received in November totaled \$17.7 million, a \$6.7 million (- 27.5%) decrease compared to actual FY 2003. Gambling receipts reached the statutory cap of \$60.0 million earlier in 2003, reducing the amount deposited in November 2003 by \$4.0 million. Fees and interest income were also down for the month.

The REC estimate for FY 2004 other receipts is \$343.1 million, which represents an increase of 10.1% compared to actual FY 2003. The year-to-date growth in other receipts is negative 6.9%. Much of the projected revenue increase in other receipts is not expected until late spring, 2004.

Status of the Economy

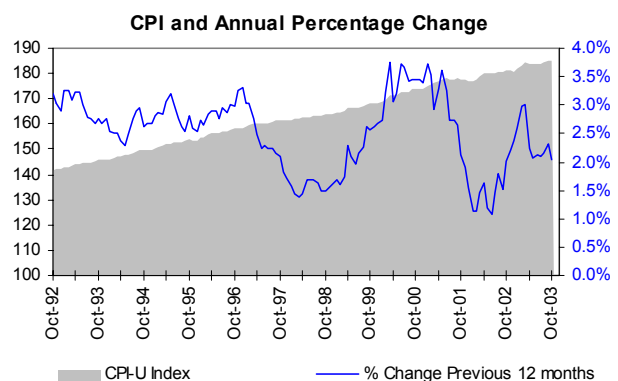
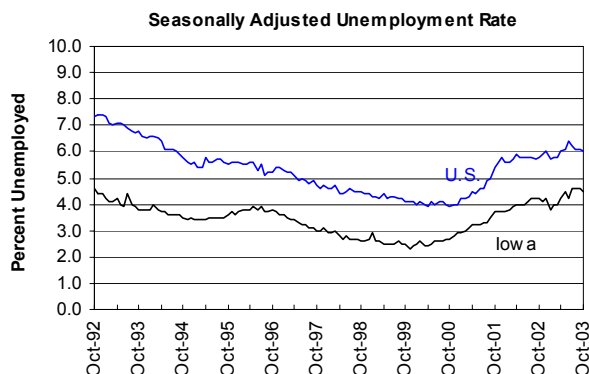
The October seasonally adjusted Iowa civilian unemployment rate was 4.5%, 0.1% lower than the September 2003 level and 0.3% higher than the 4.2% level one year ago. Iowa's total adjusted October 2003 employment registered at 1,570,200, down 37,000 from last year's level. The number of unemployed persons in Iowa was reported at 74,000 in October, an increase of 2,800 compared to October 2002.

The seasonally adjusted employment numbers for 2003 and prior years are due to be revised (benchmarked) in January. It is quite possible the large employment drop shown in current numbers will disappear when the benchmarking procedure is complete.

The U.S. unemployment rate in October 2003 was 6.0%, 1.5 percentage points above the Iowa rate. The U.S. rate one year ago was 5.8%.

Consumer prices decreased 0.11% during the month of October (not seasonally adjusted). The Consumer Price Index (CPI-U) through October 2003 was 185.0 (1983/84=100), 2.0% higher than one year ago.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through October.



Information related to State General Fund receipts is available on the Fiscal Division's web site at:
<http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through November 30, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate		
	FY 2003	FY 2004	Year to Date % CHANGE	November % CHANGE	Actual FY 2003	Estimate FY 2004	Projected % CHANGE
Personal Income Tax	\$ 915.9	\$ 951.7	3.9%	4.8%	\$ 2,417.6	\$ 2,489.0	3.0%
Sales Tax	634.9	624.2	-1.7%	-7.3%	1,450.3	1,450.3	0.0%
Use Tax	114.0	109.6	-3.9%	-8.3%	254.2	254.2	0.0%
Corporate Income Tax	94.9	67.5	-28.9%	-47.2%	237.0	222.1	-6.3%
Inheritance Tax	40.0	34.9	-12.8%	-15.9%	88.1	73.1	-17.0%
Insurance Premium Tax	0.7	5.4	671.4%	146.2%	142.2	130.0	-8.6%
Cigarette Tax	37.4	35.7	-4.5%	-13.7%	88.1	88.1	0.0%
Tobacco Tax	3.2	3.2	0.0%	-23.8%	7.4	7.0	-5.4%
Beer Tax	6.3	6.4	1.6%	0.9%	13.9	14.3	2.9%
Franchise Tax	10.2	12.6	23.5%	195.8%	35.3	35.2	-0.3%
Miscellaneous Tax	1.1	1.9	72.7%	91.4%	1.1	1.5	36.4%
 Total Special Taxes	 \$ 1,858.6	 \$ 1,853.1	 -0.3%	 -2.7%	 \$ 4,735.2	 \$ 4,764.8	 0.6%
Institutional Payments	8.2	5.0	-39.0%	4.2%	16.2	14.9	-8.0%
Liquor Transfers - Profits	15.5	15.5	0.0%	0.0%	40.0	42.0	5.0%
Liquor Transfers - 7% Revenues	3.8	3.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	10.1	2.5	-75.2%	-53.3%	18.1	12.0	-33.7%
Fees	29.3	28.0	-4.4%	-42.1%	72.1	66.7	-7.5%
Judicial Revenue	19.0	19.9	4.7%	5.0%	54.7	57.3	4.8%
Miscellaneous Receipts	18.2	18.1	-0.5%	-8.8%	41.4	81.2	96.1%
Racing and Gaming Receipts	60.0	60.0	0.0%	-100.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 2,022.7	 \$ 2,005.9	 -0.8%	 -4.0%	 \$ 5,046.7	 \$ 5,107.9	 1.2%